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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 9, 1999

APPLICATION OF

WILDWOOD FOREST WATER
COMPANY, INC.

CASE NO. PUE980329

For a certificate of public
convenience and necessity
authorizing the furnishing
of water

FINAL ORDER

On May 27, 1998, Wildwood Forest Water Company, Inc. ("Wildwood" or "the Company") filed an application for a certificate of public convenience and necessity wherein it requested authority to provide water service to residents of lots 15-89 of the Wildwood Forest subdivision located in Culpeper County, Virginia.¹

The Company also requested approval of its tariff. The Company proposed no connection fee for water service connections. The Company submitted the following monthly rates for water service: a minimum basic service fee of \$96.00 semi-annually plus a usage fee of \$2.50 per 1,000 gallons.

Wildwood proposed a customer deposit not to exceed a customer's estimated liability for two months' usage and a \$15 meter test fee if the meter has no average error greater than

¹ On September 17, 1998, the Company amended its application by filing certain

two (2) percent. The Company suggested a \$25 turn-on charge for water service in the event service was disconnected for non-payment of any bill or for a violation of the Company's rules and regulations of service. Additionally, the Company proposed a \$6 bad check charge and a late payment fee of 1½ percent per month on all past due balances.

On September 25, 1998, the Commission issued an Order Amending Schedule for Submitting Comments and Requests for Hearing. In that Order, the Commission directed Wildwood to give its customers notice of its application and to provide interested parties with an opportunity to comment and/or request a hearing on or before November 5, 1998. The Commission also directed its Staff to review and analyze Wildwood's application.

On December 4, 1998, Staff filed its report. Staff noted that the Commission had received no comments or requests for hearing. Staff recommended that the Commission grant Wildwood a certificate of public convenience and necessity and approve its proposed rates, charges and fees with the exception of those detailed below.

Staff recommended that Wildwood bill its customers commencing with the date that service is established and that the minimum charge should be prorated for that portion of the billing cycle for which new customers received service. Staff

changes to its Rates, Rules and Regulations for Water Service.

explained that under the Company's current practices, a new customer is not billed for usage until that customer has been connected for an entire billing cycle. Thus, the customer receives free water service from the time the customer is connected to the system until the start of a new semi-annual billing cycle. Staff objected to this practice as unfair to Wildwood's existing customers.

Additionally, Staff recommended that the Company cease offering discounts to customers who report "brown water." Staff explained that the water provided by the Company contains iron and manganese, which occasionally cause the water to take on a slight rust color. Staff noted that the presence of iron and manganese is commonplace throughout Culpeper County. The Company manages this problem by periodically flushing its system, and the Virginia Department of Health does not consider this to be a health hazard.

Staff also recommended that the Company make several accounting changes. Specifically, Staff recommended that the Company correct the levels of plant, accumulated depreciation, contributions in aid of construction ("CIAC"), and accumulated amortization of CIAC as of March 31, 1998, to the levels determined by Staff. Staff further recommended that the Company apply a 3 percent composite rate to all depreciable plant balances and CIAC; maintain all invoices that pertain to

disbursement, both expense and capital; establish Company books in accordance with the Uniform System of Accounts for Class C water utilities; maintain property records once the Company starts to capitalize plant items; and discontinue filing a state income tax return since the Company pays state gross receipts tax in lieu of state income tax.

By letter dated January 7, 1999, the Company noted certain minor discrepancies in the Staff Report but took no exception to Staff's recommendations.

NOW THE COMMISSION, having considered the matter, is of the opinion that Wildwood should be granted a certificate of public convenience and necessity. We will approve the Company's rates, charges, fees and rules and regulations of service with the accounting modifications recommended by Staff as noted above. We will allow Wildwood to continue offering discounts for "brown water" and to defer billing a customer for service until that customer has been connected for an entire billing cycle as long as these programs are conducted in a nondiscriminatory fashion and the cost is borne by the Company rather than the ratepayer. Accordingly, any reduction in revenues because of these programs will be attributed to the Company in future rate cases. Additionally, the Company must notify Staff if it decides to cease offering these discounts.

IT IS THEREFORE ORDERED THAT:

(1) Wildwood hereby is granted Certificate No. W-293 to provide water service to residents of lots 15-89 of the Wildwood Forest subdivision in Culpeper County, Virginia.

(2) The Company's rates, charges, fees and rules and regulations of service, as modified herein, are approved.

(3) The Company shall maintain a separate set of accounting records in accordance with the Uniform System of Accounts for Class C Water Companies.

(4) The Company shall implement Staff's accounting recommendations and shall file an Annual Financial and Operating Report, the first of which is due to be filed on or before April 1, 1999, for the calendar year 1998.

(5) Wildwood shall, on or before April 1, 1999, file with the Commission's Division of Energy Regulation, an amended tariff reflecting the revisions adopted herein.

(6) There being nothing further to be done, this matter be and hereby is dismissed and the papers placed in the file for ended causes.